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The book closes with a description of how to tie together the different activities and make use of the different returns so as to ensure constant knowledge of conditions and continuing improvement. It serves to show how it can be done, but implies—and safely, in the reviewer's opinion—that the amateur will be a long time arriving at the finish. Any executive in any manufacturing plant will find this book helpful and valuable.

FREDERIC G. COBURN.

*Public Utilities: Their Fair Present Value and Return.* By HAMMOND V. HAYES. (New York: D. Van Nostrand Company. 1915. Pp. viii, 207. \$2.00.)

The author is a well-known engineer who has had an extensive experience with the various problems of public utility regulation. He was chief engineer of the American Telephone and Telegraph Company for several years before 1907, and since then has been a general consulting engineer. In spite of the fact that his experience has been chiefly in the employ of corporations, the present volume, as well as his earlier work on *Public Utilities*, gives a fair impartial treatment of the many controversial matters involved in regulation. The point of view is clearly that of the public welfare, with due regard to the rights of the companies. The book is in the main very clear, also fairly readable and suggestive. It appears a bit didactic, but it is not filled with mere forms and quotations, as is the case with two or three similar works written by engineers. It will serve especially well as an introduction to regulation for young engineers and students of economics and political science. This probably is its chief purpose.

The book consists of a preface, a table of contents, a rather inadequate index, and seven chapters of discussion. The following is a brief chapter summary. Chapter 1 outlines the general theory of regulation and sets forth the main points of controversy; chapter 2 explains what should be considered as fair present value under different circumstances; chapter 3 makes an analysis of what is a fair rate of return that a company is entitled to earn on the fair present value; chapters 4 and 5 take up the replacement cost and actual or final cost bases of valuation, showing in each case how the appraisal should be determined, and especially what items should be included and what excluded from the valuation; chapter 6 is devoted to a discussion of *going value* and chapter 7 to depreciation.

As to the valuation on which the company is entitled to earn a return, the author, of course, follows the general rule laid down by the courts, namely, the fair present value of the property. But he presents a pretty definite analysis of what is fair present value under different circumstances. In case of new undertakings, or when a property has been just newly appraised, he would take for the future the actual capital investment as shown by the accounts of the company. If a fair return and no more is allowed on this amount, he would consider that the investor would be treated justly, and there would be ample new capital available for needed development. In case of old properties newly brought under regulation, when the accounts do not reveal the actual investment, he would make a distinction between past profitable and unprofitable undertakings. For the first class, he would take the actual original cost of the useful property in service, less accrued depreciation, as the fair present value on which a return should be allowed. But for past unprofitable concerns, he would not deduct accrued depreciation, or he would take even replacement cost with or without accrued depreciation, as the proper basis of valuation. The method selected would depend upon the facts in each case. Justice, apparently, should not follow too rigid general rules. Actual cost new less accrued depreciation may be a fair valuation in one set of circumstances, but very unfair in another. But it should be observed that the author's statement of what is fair value in each class of cases is much more definite than the decisions of the courts and commissions seem to justify. And he does not always let the fact stand out sufficiently clear that the rules which he lays down are his own ideas of what ought to be, and not what the courts say constitutes justice. The courts have not gone farther than to say that the company has a right to a fair return on the value of its property employed for the public service.

A separate chapter is devoted to a discussion of *going value*. Under this term, the author would group such intangible capital costs as company organization, legal expenses, taxes and interest during construction, developmental expenses, also early operating deficits or deficiencies in fair return on investment. While this is a broader use of the term *going value* than is ordinarily employed, to the reviewer it seems to conform with desirable classification. The author, however, does not make clear

whether he would include also later deficiencies in return, or, if not, where the line should be drawn between those to be included in capital and those to be borne as losses by the investors. Also, while he holds that going value should be allowed, whatever basis of valuation be used, he does not make clear just how the amount should be determined in the case of an appraisal. As he presents the general idea, it appears to the reviewer as a category of actual cost or experience, to be shown only by the company's individual records. The thing would not be disclosed by an appraisal, for with like property the actual costs would differ greatly from one company to another. In the case of a new undertaking, the author's classification may be followed satisfactorily, but I do not see how it can be used if fair value can not be determined from the company's records, but must be established by the means of a physical valuation.

JOHN BAUER.

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*Engineering Economics: First Principles.* By JOHN CHARLES LOUNSBURY FISH. (New York: McGraw-Hill Book Company. 1915. Pp. xii, 217. \$2.00.)

The author's aim is well stated in his preface:

Every engineering structure, with few exceptions, is first suggested by economic requirements; and the design of every part, excepting few, and of the whole is finally judged from the economic standpoint. . . . It is therefore apparent that the so-called principles of design are subordinate to the principles which underlie economic judgment. . . . This important fact usually escapes the student of engineering because, while he may have seen hundreds of books on the principles of design and his time is largely employed in studying these principles and their application, he has seen not one book devoted to the principles which underlie economic judgment, and his books and his instructors merely mention these in passing. . . . The present work was undertaken with the belief that to the engineer a working knowledge of first principles is as essential in the economics as in the mechanics of structures; and that special study and drill in the application of principles is as advantageous in the one case as in the other. . . . The book is intended to meet the first needs of the student, and to render effective service in the office. It is hoped that it will facilitate the introduction of formal instruction in engineering economics in the engineering schools, and assist sound engineering practice.

The book is divided into five parts as follows: I, Introductory, pp. 1-4; II, Elements of the Problem of Economic Selection, pp.